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Review Of The Allocation Of Funds
For The Public Employment Program
Under The Emergency Employment Act
Of 1971 B-163922

Department of Labor

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*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

00900

DEC. 17, 1971



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-163922

Dear Mr. Chairman:

This is the first of a series of reports in response to your letter of July 28, 1971, requesting the General Accounting Office to conduct an ongoing review and evaluation of the Public Employment Program undertaken by the Department of Labor to implement the Emergency Employment Act of 1971 (85 Stat. 146). This report provides information on the August 12, 1971, allocation of funds, under section 9 of the act, by the Department of Labor to the States and to more populous counties and cities--the program agents--and by selected program agents to other governmental subdivisions or agencies to carry out the provisions of section 5 of the act. 9

This report is concerned primarily with the initial allocation of \$600 million of section 5 funds by the Secretary of Labor. We have not included detailed information on section 6 funds, because the allocations were not made until September 21, 1971, and because, at the time of our review, most program agents had not developed their proposals for distributing the funds. Similarly we have not included detailed information on the allocation of section 5 discretionary funds, because the Secretary of Labor did not begin to allocate these funds until September 28, 1971. We are continuing to gather information on the allocation of section 6 and section 5 discretionary funds and plan to report to you on these subjects in the near future.

The information in this report was discussed informally with officials of the Department of Labor and with representatives of certain program agents. These officials, however, have not been given the opportunity to formally consider and comment on the contents of this report.

In accordance with our agreement with your office, we are providing a copy of this report to the Chairman, Select Subcommittee on Labor, House Committee on Education and Labor. We are also making 1098

B-163922

arrangements to provide copies to other committees and members of Congress and to persons having responsibility for or an interest in the administration of the Public Employment Program under the Emergency Employment Act.

Sincerely yours,



Comptroller General
of the United States

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The Honorable Gaylord Nelson
Chairman, Subcommittee on Employment,
Manpower, and Poverty
Committee on Labor and Public Welfare
United States Senate

5112

C o n t e n t s

	<u>Page</u>
INTRODUCTION	1
ALLOCATION OF \$600 MILLION BY THE DEPARTMENT	3
Apportionment formulas considered by the	
Department	5
Formula used by the Department	7
ALLOCATION OF FUNDS BY PROGRAM AGENTS	9
APPENDIX	
I	
Estimates of section 5 apportionments to	
States under the four alternative formulas	
considered by the Department of Labor	11
II	
Illustration of section 5 apportionment	
formula used by the Department of Labor	12
III	
Case studies on section 5 allocations by	
States	13
IV	
Case studies on section 5 allocations by	
cities and counties	24

REVIEW OF THE ALLOCATION OF FUNDS
FOR THE PUBLIC EMPLOYMENT PROGRAM
UNDER THE EMERGENCY EMPLOYMENT ACT OF 1971

INTRODUCTION

The purpose of the Emergency Employment Act is to provide unemployed and underemployed persons with transitional employment in jobs providing needed public services during times of high unemployment. Wherever feasible, related services are to be provided to enable workers to move into employment not supported by the act. The act authorizes a total of \$1 billion for fiscal year 1972 and \$1.25 billion for fiscal year 1973.

Under section 5 funds are made available to employ unemployed and underemployed persons through the Public Employment Program and through various demonstration programs whenever the Secretary of Labor determines that the nationwide unemployment rate equals 4.5 percent for 3 consecutive months. As of August 1971 this criterion had been met, which permitted obligation of the \$750 million appropriated for section 5 programs during fiscal year 1972. The act authorizes \$1 billion for programs under section 5 during fiscal year 1973.

Section 6 of the act establishes a Special Employment Assistance Program and authorizes \$250 million each for fiscal years 1972 and 1973 to provide public service employment for unemployed and underemployed persons in areas of substantial unemployment, as designated by the Secretary of Labor.

Section 9 of the act provides that 80 percent of the section 5 funds be apportioned among the States and among areas within the States in an equitable manner and that consideration be given to the proportion which the total number of unemployed persons in each State bears to the total number of such persons in the United States. The remaining funds are to be available as the Secretary of Labor deems appropriate to carry out the purposes of the act.

Our review included an examination into (1) the legislative history relating to the act and the appropriation of funds for fiscal year 1972 and (2) the policies and procedures of the Department for allocating \$600 million under section 9 to carry out the provisions of section 5 of the act. We also examined pertinent Department, State, and local records.

Although we inquired into the source of the data used to compute unemployment or statistical information used by the Department or program agents to make the allocations, we did not review the methodology or the practices for the computations involved in developing the data. During our review we interviewed representatives of the Department and officials of the program agents.

To obtain a cross section of how funds were allocated within States, our examination included selected program agents responsible for allocating \$7.6 million in the States of California, Georgia, Indiana, Massachusetts, and Washington; the County of Los Angeles, California, and King County, Washington; and the cities of Los Angeles, California, and Seattle, Washington.

In addition to apportioning the \$600 million of section 5 funds to program agents under section 9, the Department has made \$3.2 million of section 5 discretionary funds available to Indian tribes for public service jobs and \$115 million of section 5 discretionary funds available to 25 areas in the States of California, Illinois, New Jersey, New York, and South Carolina, to help demonstrate the program's impact on the local economy and on welfare recipients.

The Department of Labor also has allocated \$214 million under section 6 to areas having 6 percent or more unemployment for 3 recent consecutive months. The remaining \$36 million made available to carry out the provisions of section 6 is being held in reserve to be used by the Secretary of Labor for further aid to high-unemployment areas.

ALLOCATION OF \$600 MILLION BY THE DEPARTMENT

Section 9 of the Emergency Employment Act of 1971 provides that not less than 80 percent (\$600 million) of the \$750 million appropriated for fiscal year 1972 to carry out section 5 of the act be apportioned among the States in an equitable manner. In apportioning this amount, consideration is to be given to the proportion which the total number of unemployed persons in each State bears to the total number of such persons in the United States.

Each State, the District of Columbia, and the Commonwealth of Puerto Rico, however, must receive at least \$1.5 million, and the U.S. territories combined are to receive a minimum of \$1.5 million. The remaining \$150 million appropriated for fiscal year 1972 to carry out section 5 shall be available for such purposes as the Secretary of Labor deems appropriate to carry out the purposes of the act.

The act further provides that the amount provided to each State be distributed among areas within the State in an equitable manner and that consideration be given to the proportion which the total number of unemployed persons in each such area bears to the total number of such persons in that State.

The initial apportionment on August 12, 1971, of \$600 million of section 5 funds by the Department of Labor was made to program agents representing the 50 States, the District of Columbia, Puerto Rico, the territories, Indian tribes, and about 550 of the more populous cities and counties. This apportionment was based on a two-part formula considering (1) the number of unemployed and (2) the severity of unemployment.

Under the formula the Department determined the amount of funds which each of the States (as well as the District of Columbia and Puerto Rico) would receive and determined how much would be apportioned within the States to (1) designated cities having populations higher than 75,000 and (2) counties having populations higher than 75,000 (not counting designated cities within a county). The Department determined also the amounts of funds which the States would allocate among areas having populations less than 75,000--

designated as balance-of-state areas--which did not receive funds under (1) or (2).

The Secretary of Labor, using the proportion of State government employment to total State and local government employment, specified that portion of the funds apportioned to the cities and counties which was to be used for State government jobs and that portion which was to be used for local government jobs within each area.

The Department's guidelines for the Public Employment Program provide that each program agent be required to distribute program funds and the jobs that the funds were to create equitably and effectively within its area. The guidelines specify that States determine the distribution of balance-of-state funds primarily on the basis of (1) the extent and severity of unemployment in areas included under balance-of-state, (2) the number and size of eligible applicants within the balance-of-state areas, (3) the number of public service employment opportunities in each area, and (4) the extent to which public service needs are not being met.

City and county program agents should distribute funds and should give consideration to (1) employment opportunities available within various levels of government, (2) the extent and severity of unemployment in various areas, and (3) the extent of unmet public service needs.

APPORTIONMENT FORMULAS CONSIDERED
BY THE DEPARTMENT

The Department considered four formulas for apportioning the \$600 million to the States under section 5 of the act. The estimated amounts which would be available to each State under each of the four formulas considered by the Department and the number of unemployed persons and rate of unemployment in each State are shown in appendix I.

Under the first formula a State's apportionment would be based on the relationship between the total number of unemployed in the State and the total number of unemployed in the United States. In a staff paper dealing with the four formulas, the Department stated that this formula had the advantage of simplicity and ease of calculation and did not go beyond the language on apportionment contained in section 9 of the act. The Department paper stated also, however, that this formula did not consider differences in severity of unemployment.

The second formula based the State's apportionment on the relationship between the total number of unemployed over 4.5 percent in the State to the national total exceeding 4.5 percent. The chief disadvantage to this approach, according to the Department's staff paper, was that, on the basis of its tentative allocation, eight States and the District of Columbia had unemployment rates of 4.5 percent or less and therefore would receive only the minimum amount of \$1.5 million each. These nine areas which account for 12 percent of the total unemployed would have received only 2 percent of the funds.

The third formula, which is the one that the Department adopted, provides for allocating funds by taking into consideration the ratio of the total number of unemployed in the State and the total number of unemployed in the United States as well as the ratio of and the number of unemployed in excess of 4.5 percent in the State and in the United States. According to the Department this approach, in effect, averages out the differences that would have resulted from the above two alternatives and avoids the extremes that would result from utilizing either of them.

Under the fourth formula States would be assigned points, ranging from 1 to 13, for specified levels of unemployment and for rates of unemployment, the sum of which would represent the basis for distribution of funds. Under this technique more points are given for relatively higher levels and rates of unemployment on the theory that the problems of joblessness tend to rise as both the magnitude and the incidence of unemployment rise in an area; therefore, more funds should be allocated to such an area. The Department decided not to use this formula because it involved numerous computations, was complex to describe, and was considered less precise than the method selected.

FORMULA USED BY THE DEPARTMENT

Department officials adopted the two-part third formula to apportion section 5 funds among the States and a similar formula to apportion funds among program agents within each State.

In July 1971 Department officials informed both of the cognizant subcommittees of the House and Senate Committees on Appropriations, during testimony on the Emergency Employment Assistance Act appropriation for fiscal year 1972, of the Department's plan to use the two-part formula for allocating funds to the States.

Also this formula was discussed extensively by the Senate and House in August 1971 during consideration of the appropriation bill. During the Senate discussions the Chairman of the Subcommittee on Labor and Health, Education, and Welfare, and Related Agencies, Senate Committee on Appropriations, inserted in the Congressional Record a table, furnished by the Secretary of Labor, showing the tentative apportionment of \$600 million of section 5 funds by State.

During the House debate an amendment was offered to the appropriation bill which would have provided that the formula to be used for distributing funds be based solely and entirely on the proportion of total unemployment in each State to the total unemployment in the United States. This amendment was defeated.

For the apportionment to the States, the Department determined the percentage relationship between the total unemployment within a State and the total unemployment within the United States and multiplied this percentage by \$595,080,000 (\$600 million less \$4,920,000 apportioned to territories and Indian tribes). The Department then determined the percentage relationship between the number of unemployed over 4.5 percent within a State and the total number of unemployed over 4.5 percent in the United States and multiplied this percentage by \$595,080,000. The sum of the two products was divided by 2 to arrive at the apportionment for a State.

The Department obtained the unemployment statistics used for the State apportionments from a Department report entitled "Area Trends" which contains monthly employment and unemployment statistics. A 3-month average of statistics for the period January to March 1971 was used as the base period for comparing each State's unemployment to that of the Nation's. According to Department representatives, this was the latest data then available. The Department used a similar formula to apportion funds to qualified areas within a State.

Although the Department had unemployment data on a State basis and on a labor-market-area basis, such data was not available on a city or county basis for allocating funds to qualified areas within a State. Therefore in July 1971 the Department requested State employment security agencies to develop unemployment data for cities and counties which were potential recipients of section 5 funds. This was to be done by breaking down the unemployment data which was available on a State basis or on a labor-market-area basis.

The Department suggested four possible methods for computing unemployment data for cities and counties, including the use of data on unemployment insurance claims and the 1970 Census of Population. We were advised by Department representatives that the data submitted by the State agencies had been evaluated by the Department and that, when apparent discrepancies existed, the State agencies had been asked to reevaluate their procedures.

Unlike the January to March 1971 data used for the apportionment to the States, the Department used May 1971 data as the basis for apportioning funds among areas within a State. Appendix II is an illustration of how the two-part formula was used to compute the amount to be apportioned to a State and to a qualified area within the State.

After the Department announced the apportionment of \$600 million under section 5, program agents were able to request an initial allocation of 20 percent of the amount apportioned to them pending development of their applications for full funding.

ALLOCATION OF FUNDS BY PROGRAM AGENTS

After the Department had apportioned funds, the program agents for the 50 States, the District of Columbia, and Puerto Rico were required to prepare plans showing how they were to distribute the balance-of-state funds to smaller units of government within their areas of jurisdiction. These funds represented amounts which had not been allocated by the Department to designated cities or counties. A State's plan had to be approved by the Department before it would receive its full funding under section 5. As of November 3, 1971, the Department had approved the full-funding applications for all the States, except Indiana.

The Department told us that the Indiana proposal was not acceptable and that it planned, through its Chicago Regional Office, to reapportion the Indiana section 5 balance-of-state funds directly to program agents. These funds would be apportioned to (1) the State as program agent for State government jobs in the smaller counties and (2) smaller counties, which applied for funds, as program agents for local government jobs in their areas.

We obtained information concerning the methods used by 11 of the 51 State program agents for which full funding had been approved and by the State of Indiana to allocate the balance-of-state funds. The allocation plans of these 12 States showed that various methods had been used for distributing funds among subagents in the States.

- Four of the States used a two-part formula which was basically the same as the one used by the Department to apportion funds among the States.
- Three of the States apportioned funds to subagents primarily on the basis of the ratio of total area population to State population.
- Four of the States apportioned funds primarily on the basis of the ratio of the number of unemployed persons in an area to the number of unemployed persons in the State.

--One State allocated funds on the basis of the areas in which State government jobs were needed and the priority for such jobs.

Although the factors described above were predominant in the States' allocation of funds, most of the States' allocation plans also considered other factors, such as availability of jobs in a local area or the extent of unmet needs for public services in an area.

We believe that the allocation of funds by States to local areas, primarily on the basis of population without considering the unemployment in the areas, is questionable. We plan to examine further into this matter during our review of the Department's approval of program proposals.

Case studies on the allocations of \$34 million by California, Georgia, Indiana, Massachusetts, and Washington are included in appendix III.

As direct recipients of section 5 funds, program agents also were required to make an equitable distribution of funds to other units of government. We obtained information concerning the procedures and methods which two of the cities and two of the counties used to allocate a total of \$42.9 million to local governmental units. Case studies on the allocation of funds by the cities of Los Angeles and Seattle and by King County and the County of Los Angeles, are included as appendix IV.

APPENDIX I

ESTIMATES OF SECTION 5 APPORTIONMENTS TO STATES

UNDER THE FOUR ALTERNATIVE FORMULAS CONSIDERED BY THE DEPARTMENT OF LABOR

State	Unemployment (note a)		Alternative 3			
	Number (thousands)	Rate	Alternative 1	Alternative 2	(note b)	Alternative 4
(000 omitted)						
Alabama	64.3	5.0	\$ 7,310	\$ 2,690	\$ 5,000	\$ 7,022
Alaska	15.9	14.2	1,810	4,490	3,150	16,364
Arizona	33.7	4.8	3,860	1,500	2,680	7,022
Arkansas	45.9	6.3	5,170	5,530	5,350	9,342
California	683.7	7.9	77,710	123,190	100,450	25,650
Colorado	29.9	3.3	3,380	1,500	2,440	4,642
Connecticut	117.4	8.4	13,360	22,820	18,090	16,364
Delaware	12.7	5.2	1,500	1,500	1,500	4,642
District of Columbia	33.7	2.6	3,860	1,500	2,680	4,642
Florida	122.7	4.3	13,960	1,500	7,730	7,022
Georgia	70.5	3.7	8,020	1,500	4,760	4,642
Hawaii	16.3	4.6	1,840	1,500	1,670	4,642
Idaho	19.9	6.7	2,220	2,660	2,440	9,342
Illinois	242.7	4.9	27,630	8,190	17,910	16,364
Indiana	133.1	6.2	15,110	15,350	15,230	13,984
Iowa	58.1	4.8	6,650	1,790	4,220	7,022
Kansas	56.4	6.5	6,390	7,290	6,840	11,664
Kentucky	75.1	6.3	8,510	8,990	8,750	13,984
Louisiana	89.5	6.6	10,190	11,830	11,010	13,984
Maine	31.5	7.9	3,580	5,580	4,580	13,984
Maryland	70.1	4.7	7,900	1,500	4,700	7,022
Massachusetts	182.7	7.2	20,720	28,320	24,520	18,686
Michigan	301.7	8.0	34,290	55,090	44,690	25,650
Minnesota	99.5	5.1	11,300	10,840	11,070	11,664
Mississippi	45.0	5.4	5,160	3,160	4,160	7,022
Missouri	122.6	6.0	13,920	13,100	13,510	11,664
Montana	24.6	9.0	2,790	5,190	3,990	13,984
Nebraska	25.6	3.9	2,900	1,500	2,200	4,642
Nevada	15.6	6.4	1,750	1,930	1,840	7,022
New Hampshire	15.7	5.3	1,720	1,500	1,610	4,642
New Jersey	222.9	7.2	25,330	35,130	30,230	21,006
New Mexico	26.2	7.1	2,950	3,950	3,450	11,664
New York	470.0	5.7	53,380	40,520	46,950	21,006
North Carolina	96.5	4.3	10,760	1,500	6,130	7,022
North Dakota	15.7	6.5	1,760	2,040	1,900	9,342
Ohio	233.5	5.2	26,530	13,110	19,820	16,364
Oklahoma	51.9	5.0	5,920	2,180	4,050	7,022
Oregon	70.2	7.6	7,940	11,940	9,940	13,984
Pennsylvania	267.0	5.4	30,390	17,930	24,160	16,364
Puerto Rico	100.0	11.8	11,420	25,720	18,570	21,006
Rhode Island	29.8	7.6	3,380	5,060	4,220	13,984
South Carolina	54.9	5.1	6,240	2,800	4,520	7,022
South Dakota	10.3	3.9	1,500	1,500	1,500	2,321
Tennessee	88.4	5.2	10,060	4,820	7,440	9,342
Texas	193.7	4.2	22,060	1,500	11,780	11,664
Utah	30.4	7.0	3,440	4,540	3,990	11,664
Vermont	13.6	7.1	1,520	2,040	1,780	9,342
Virginia	64.8	3.5	7,420	1,500	4,460	4,642
Washington	161.2	11.7	18,310	41,430	29,870	23,327
West Virginia	48.7	7.7	5,530	8,510	7,020	13,984
Wisconsin	116.5	6.1	13,230	12,830	13,030	11,664
Wyoming	7.8	5.9	1,500	1,500	1,500	7,022
			595,080	595,080	595,080	595,080
Territories	-	-	1,500	1,500	1,500	1,500
Indian tribes	-	-	3,420	3,420	3,420	3,420
			\$600,000	\$600,000	\$600,000	\$600,000

^aBased on average of January to March 1971 unemployment data.^bFormula adopted by Department of Labor.

APPENDIX II

ILLUSTRATION OF SECTION 5 APPORTIONMENT FORMULA

USED BY THE DEPARTMENT OF LABOR

State Apportionment

<u>State share based on total unemployment</u>	<u>State share based on unemployment over 4.5 percent</u>
State unemployment, 240,575	State unemployment over 4.5 percent, 19,377
National unemployment, 5,229,900	National unemployment over 4.5 percent, 1,384,100
State unemployment, 4.6 percent of national unemployment	State excess, 1.4 percent of national excess
4.6 percent of \$595,080,000 ^a = \$27,373,680	1.4 percent of \$595,080,000 ^a = \$8,331,120

$$\text{State apportionment} = \frac{\$27,373,680 + \$8,331,120}{2} = \$17,852,400$$

Area Apportionment Within State

<u>Area share based on total unemployment</u>	<u>Area share based on unemployment over 4.5 percent</u>
Area unemployment, 90,400	Area unemployment over 4.5 percent, 10,154
State unemployment, 240,575	Area excess, 52.4 percent of State excess
Area unemployment, 37.6 percent of State unemployment	52.4 percent of \$8,331,120 = \$4,365,506
37.6 percent of \$27,373,680 = \$10,292,504	

$$\text{Area apportionment} = \frac{\$10,292,504 + \$4,365,506}{2} = \$7,329,005$$

Division of Area Apportionment Between State and Local Governments

Total government employees in area, 1,770,000
 State government employees in area, 169,920
 State government employees, 9.6 percent of total government employees in area
 9.6 percent of \$7,329,005 = \$703,584 = State share for State government jobs in area
 \$7,329,005 - \$703,584 = \$6,625,421 = Program agent share for local government jobs in area

^aAmount available for distribution after deduction of amounts allocated for territories and Indians.

CASE STUDIES ON SECTION 5 ALLOCATIONS BY STATES

CALIFORNIAALLOCATION BY THE DEPARTMENT

Of the \$100.4 million in section 5 funds apportioned to California, \$95.9 was allocated by the Department of Labor to the 36 largest cities and the 31 largest counties in California. Of the amount allocated to the cities and counties, \$11.9 million was to be available for State government jobs in those localities. The remainder, \$4.5 million, was provided to the State government for allocation in the balance of the State's 27 smaller counties.

ALLOCATION BY THE STATE

California assigned to its Office of Manpower Utilization, Department of Human Resources Development, responsibility for administering the program. This office developed the allocation formula for the balance-of-state allocations by using data developed by its research and statistics section.

Our review of California's allocation of the \$4.5 million indicated that the total number of unemployed persons and the rate of unemployment in each county had been taken into account for allocation of funds. Consideration was given to the number of available public service employment opportunities.

About \$230,000 of the \$4.5 million was set aside by the State to provide jobs on certain Indian reservations where the State estimated that about 5 percent of the unemployed labor force resided.

The State's Department of Human Resources Development reported that the balance of \$4.3 million had been distributed among the 27 smaller counties on the basis of a formula which took into account both the total number of unemployed and the rate of unemployment in each county. Under the formula the rate of unemployment was weighted to provide counties having larger unemployment rates with proportionately more funds than counties having lower rates.

APPENDIX III

According to State officials the reason for the use of the adjustment factor was their belief that it would be more difficult for persons in high-unemployment areas to obtain jobs because there would be more competition and that therefore the need for more jobs in those areas would be greater.

We were told that this formula had been applied to allocate funds to 24 of the 27 counties. In some cases, however, adjustments had to be made because public service jobs were not available. For the remaining three counties, the allocation procedure would have resulted in too small an amount to do the counties any good in providing meaningful jobs, so it was decided that these counties would be awarded \$14,000 each, or about enough to provide two \$7,000 jobs in each county.

GEORGIAALLOCATION BY THE DEPARTMENT

The Department of Labor allocated a total of \$4.8 million to the State of Georgia under section 5--about \$2.7 million was allocated directly to four cities and six counties in the State, of which about \$340,000 was designated for State government jobs in those areas. The remaining \$2.1 million was designated as balance-of-state funds.

ALLOCATION BY THE STATE

The Employment Security Agency of the Georgia Department of Labor administers the program in Georgia.

Four of the counties and one of the cities which received separate fund allocations from the Department of Labor agreed to have the State act as program agent for them. Their allocations of \$708,000, together with the \$340,000 for State jobs in the designated areas and the \$2.1 million balance-of-state funds, were therefore available to be included in Georgia's allocation plans.

Of the \$3.1 million available for distribution, Georgia submitted a plan to distribute about \$3 million. The plan stated that the remainder would be distributed after the outlying counties and communities could be contacted and their needs could be determined.

The distribution formula used by Georgia for balance-of-state funds is almost identical to the one used by the Department of Labor. Under the formula funds are distributed by the State to economic development districts consisting of groups of counties. The State is divided into 18 such districts, and each has a planning and development commission and a board of directors consisting of a representative from each county.

According to State officials responsible for preparing and administering the balance-of-state plan, the employment information used in allocating funds was obtained from information developed or received by the State Department of Labor. They stated that the information for the most part

APPENDIX III

was provided by the Department's Employment Security Agency from analyses of State unemployment tax returns. Other sources used included reports from the Department of Labor and from the Railroad Retirement Board and surveys and estimates by the State Department of Labor.

Funds allocated to each district are to be distributed to cities and counties within that district on the basis of the recommendations of the planning and development commission's board of directors. Funds are to be distributed to areas which have the greatest number of unemployed persons and which provide the greatest assurance of transitional employment. Such employment has as its objective to move individuals from jobs supported under the program into public or private employment or training not supported by the Emergency Employment Act.

The State's application to the Department of Labor shows that funds will be distributed to six State agencies, 76 city governments, and the governments of 79 of Georgia's 159 counties. Of the remaining 80 counties, 41 contain cities that will receive funds; thus, the funds are to be used for jobs in 120 of the 159 counties.

INDIANAALLOCATION BY THE DEPARTMENT

Indiana was apportioned \$15.2 million under section 5 of the Emergency Employment Act of 1971 for public service jobs. Of this amount, \$7.7 million was allocated by the Department of Labor to six cities and 15 counties and \$7.5 million to the balance of the State. Included in the amount for the above six cities and 15 counties was \$1.4 million to be used for State government jobs.

ALLOCATION BY THE STATE

The Indiana program is being administered by the Personnel Division of the State's Department of Administration. As of the time of our review, Indiana's proposal for the distribution of section 5 funds still had not been approved by the Department of Labor. The Department told us that the State's proposal was unacceptable and that it planned, through its Chicago Regional Office, to reapportion the section 5 balance-of-state funds directly to program agents.

In its proposal the Indiana State government elected not to use county, city, or other units of local government as subagents for the balance-of-state funds. The State government believes that it does not have enough authority over these units of government to assume the responsibilities and to provide the assurances required of a program agent by the Federal regulations.

Therefore the State's plan for balance-of-state funds provided that the \$7.5 million be used for 1,043 positions in about 60 different State agencies and institutions throughout the State.

According to the State's application, the distribution of jobs and funds was based on recommendations and supportive data submitted by State agencies and institutions.

Recruiting areas were established for each State agency and institution where positions had been created. In most cases the recruiting area consisted of several counties in close proximity to the facility. In some cases the

APPENDIX III

recruiting area was to be State-wide. Cities and counties designated as program agents by the Secretary were excluded when these recruiting areas were established. In filling State positions in Department of Labor-designated program agent areas, the State is restricted to hiring persons residing in these areas; therefore, in these cases no additional recruiting areas were established.

The counties in each recruiting area were ranked according to their unemployment rates. Jobs were to be allocated on the basis of these rates; the greatest number of jobs were to go to the county having the highest unemployment rate. The unemployment data by county was provided by the Indiana Employment Security Division.

MASSACHUSETTS

ALLOCATION BY THE DEPARTMENT

The Department of Labor allocated \$24.5 million under section 5 to the Commonwealth of Massachusetts. Of this amount, \$10.2 million was allocated by the Department to the 12 largest Massachusetts cities. Of the \$10.2 million, \$1.6 million was designated for State government jobs in those cities. Although 11 of the 14 counties in Massachusetts had populations in excess of 75,000, they were not designated as fund recipients because the counties in the State do not possess the necessary governmental powers. Therefore the remaining \$14.3 million was designated as balance-of-state funds.

ALLOCATION BY THE STATE

Normally the State is required to distribute the balance-of-state funds but, because of the sizes of the populations in the counties and because of the nature of the county organization, the Department's regional office developed the plan for distribution among the various counties.

In distributing funds within the State, the Department used the same two-part formula used in its other apportionments. A determination was made of the relationship of total unemployment in a county to total unemployment in the state and of the relationship between the number of unemployed over 4.5 percent in the county and the number of unemployed over 4.5 percent in the State.

The State designated its Office of Manpower Affairs to administer the program. The office made an additional calculation to determine what each town within a county should receive. Because statistics are not kept by the State on the number of unemployed in each town, the State made a count by postal zip codes of all unemployment checks paid during the week ended June 19, 1971. The total number of checks issued that week was 102,558, including those in major city areas.

APPENDIX III

Using the zip code data, the total number of checks was computed for each county minus the 12 separately funded cities. The number of checks for each county then was broken down into checks for each locality within the county, and the ratios of locality checks to county checks were used to produce each locality's percentage of county unemployed. This percentage figure was multiplied by the dollar allocation for the county to produce the locality's share of the county's funds.

Instead of having each locality act as a program sub-agent, 24 consortiums, each involving several localities, were established. This action was taken because the State did not want to deal with 339 individual subagents and because some of the smaller towns would be receiving less than \$1,000 to fund jobs. The consortiums were established by the towns themselves with the guidance and approval of the State Office of Manpower Affairs.

The funds allocated to towns having a consortium were pooled and were used to fund jobs open to anyone living within the consortium. Each town thereby might have received more or less than the number of dollars that would have been allocated to it using the State's formula.

One of the problems with the State's method of allocation was the fact that some of the localities were in border areas and that their residents worked in and received unemployment insurance payments from neighboring States. Thus these people would not be included in the statistics used by the State to allocate funds to individual communities.

Essex County officials complained that the State's procedure did not consider the fact that many of the county's residents, because they had been employed in New Hampshire, filed for unemployment benefits in New Hampshire. Therefore, after obtaining data prepared by the county, a revised formula was negotiated between the county and the State, which required that, in essence, consideration be given to each locality's percentage of the county population, in addition to its share of unemployment. These two resulting ratios were averaged and then were multiplied by the dollar allocation to the county to produce each locality's share of the funds.

Because the revised formula for Essex County was negotiated just prior to the State's submission of its plan for Department of Labor approval and because similar data to that used by Essex County to present its case was not available for other border counties, the revised formula was not used by the State for allocating funds within any other county.

We noted only two other controversies over Massachusetts' method of allocation. The town of Rehoboth desired a per capita distribution equivalent to distributions of adjacent communities. Town officials contended that the State's survey of the unemployed in a 1-week period in June was unfair because unemployment is normally low during that month when there is considerable agricultural activity in the community. They also stated that many of the town's citizens were enrolled for unemployment benefits in the nearby State of Rhode Island.

Program officials told us that the town of Seekonk had similar complaints--it is also on the Rhode Island border. No action was taken on the two complaints because the State did not have data available on the towns and because the towns could not provide data on their own to substantiate their contentions. A State official advised us, however, that better unemployment data in border locations had been requested from the Department of Labor and that the use of such data might permit a later redistribution of funds.

APPENDIX III

WASHINGTON

ALLOCATION BY THE DEPARTMENT

Of the \$29.9 million in section 5 funds apportioned to the State of Washington by the Department of Labor, about \$25.2 million was awarded to three cities and nine counties and \$4.7 million to the State for the balance of the State. Included in the allocation for the above three cities and nine counties was \$6.3 million for State government employment.

ALLOCATION BY THE STATE

The Washington State government, as program agent, allocated the \$4.7 million of balance-of-state funds to (1) local governmental units in the 30 counties that were not funded directly by the Department of Labor, (2) State government agencies for State employment in those 30 counties, (3) Indian reservations located in the 30 counties, and (4) training, employment service, and administration expenses.

The State first set aside about \$470,000 for the training and administration services for those employees to be hired with the \$4.7 million. The balance of almost \$4.3 million then was split into amounts that would go to the local governments in the 30-county area and to the State government; the basis of the split was the ratio of the number of State employees to the number of local government employees in the total area.

The State government's share was \$1,227,630 (29 percent), which was allocated to each of the 30-county areas on the basis of population in the county. This allocation was subject to revision on the basis of the existence of State agencies in those counties.

From the local governmental share of \$3,030,540, the State set aside \$151,515 (about 5 percent) on an arbitrary basis for the Indian reservations in the 30-county area. At the time these funds were allocated, the amounts of the allocations of the Federal Government and other State program

agents to Indian reservations were unknown and the State had set aside these funds to correct possible inequities.

The balance of local government funding was allocated by the State among the 30 counties on the basis of Universe of Need data prepared by the Washington State Comprehensive Area Manpower Planning System. This data took into consideration such factors as distribution of population and distribution of persons in need of manpower services.

Within each of the 30 counties, funds were allocated further among local government units, taking into consideration such factors as their ability to structure jobs and their experience in job retention. The within-county allocations were decided at meetings attended by representatives of the local government units and the State.

APPENDIX IV

CASE STUDIES ON SECTION 5 ALLOCATIONS

BY CITIES AND COUNTIES

CITY OF LOS ANGELES

ALLOCATION BY THE DEPARTMENT

The Department of Labor apportioned \$19.8 million to the city of Los Angeles under section 5 of the Emergency Employment Act of 1971. A total of \$16.4 million was to be utilized for local jobs and \$3.4 million for State employment within the city.

ALLOCATION BY THE CITY

The city of Los Angeles government comprises 21 departments and 11 bureaus. A letter from the Mayor was sent to each department and bureau chief, requesting that programs be developed to hire participants for needed public service positions. The letter did not set limits on either the number of jobs or the dollar amount that could be requested.

The city designated as subagents for a share of the city's funds the Unified School District, the Community College District, the Housing Authority, and the Community Redevelopment Agency. Unlike the city's request for proposals from its departments and bureaus, in which dollar guidance was not given, these subagents were given specific dollar allocations by the city on the basis of the population served and of the significance of their functions in providing unmet public service needs. They were asked to submit programs to match the dollar amounts.

The city departments and bureaus developed programs showing public service needs, types of positions to meet the needs, number of positions, and personnel costs. The agencies requested more jobs than reasonably might be funded and submitted their proposals to the City Administrative Office and to the Personnel Department for evaluation.

In its evaluation of city agency proposals, the city's Administrative Office considered two factors in deciding how to allocate the funds: (1) whether the positions were

justified and the programs were appropriate and (2) whether the departments or bureaus could provide the necessary equipment or materials to sustain the proposed positions.

The Personnel Department considered whether (1) the requested positions were reasonable as to need and type, (2) the majority of the requested jobs were trainee or entry level, (3) the agencies could expect to absorb 50 percent of the number of positions requested, (4) the proposed jobs were applicable to significant segments of the target population, and (5) the positions were identifiable with needed public services.

Using the above criteria, the city's Administrative Office and the Personnel Department made decisions on the number of jobs and the dollar amount that would be allotted to each department or bureau. The city evaluated the proposals of the subagents using essentially the same criteria used for the departments and bureaus.

The allocation decided upon resulted in receipt by the city and the subagents of the following section 5 funds: \$10 million to the city of Los Angeles, \$4.5 million to the Unified School District, \$0.8 million to the Community College District, \$1 million to the Housing Authority, and \$0.1 million to the Community Redevelopment Agency.

APPENDIX IV

CITY OF SEATTLE

ALLOCATION BY THE DEPARTMENT

The Secretary of Labor apportioned \$6.6 million in section 5 funds to the city of Seattle--\$4 million for local employment opportunities and \$2.6 million for State government jobs in Seattle.

ALLOCATION BY THE CITY

The city allocated the local funds, including the amounts that would go to its own departments and bureaus, on the basis of the proportion of each agency's full-time employment to the total employment by all the agencies; adjustments were made to fit the number of positions requested. Under this allocation about 60 percent of the funds went to the city of Seattle, 37 percent to the Seattle School District, and 3 percent to the other local governmental units.

Within the city of Seattle, there were a number of autonomous agencies that the city decided would be given a share of local funds. The agencies which submitted proposals for use of the funds were the Seattle School District, the Seattle Housing Authority, the Metro, the Puget Sound Air Pollution Control Agency, and the Puget Sound Governmental Conference.

Since all positions were in the city of Seattle and since the population served by all the agencies was the same, unemployment rates were not broken down by geographical area.

LOS ANGELES COUNTY

ALLOCATION BY THE DEPARTMENT

Los Angeles County was apportioned a total of \$17.3 million in section 5 funds by the Secretary of Labor. Of this amount, \$16.5 million in grant funds was to be utilized for local jobs and \$0.8 million for State government jobs.

ALLOCATION BY THE COUNTY

The Los Angeles County Division of the League of Cities and the educational groups in the area established task forces to work with the county in developing allocation formulas and in reviewing proposals from each of the public entities in the county which were eligible to receive funds as subagents. Each city manager and mayor assumed responsibility for reviewing public service needs within their jurisdiction, and the county government reviewed public service needs within the unincorporated areas.

By agreement with all eligible subagents and due to severe time limitations, the county, as program agent, submitted an application to the Department that included jobs to be provided by the county. Approximately \$6 million was committed for this purpose. The task forces then made preliminary allocations of \$5 million for cities, \$4.5 million for school districts, \$0.4 million for community colleges, and \$0.5 million for special-purpose districts (i.e., mosquito abatement).

Once these allocations were made, the task forces called a meeting of representatives of the 65 eligible cities. The representatives were briefed on the program guidelines, were given dollar estimates of their allocations, and were encouraged to submit proposals to the county for using the funds. A two-part formula for allocating funds to the cities was developed and approved by the task forces.

Under the formula each city first would receive \$1 for each person residing in the city. If the city had an unemployment rate in excess of 4.5 percent, it also received

APPENDIX IV

\$1 for each person multiplied by the numerical rate difference between 4.5 percent and the city's unemployment rate in excess of 4.5 percent. For example, a city having a population of 50,000 and a 6.5-percent unemployment rate would receive $(\$50,000) + (\$50,000 \times 2)$, or \$150,000.

The \$4.5 million allocated to the 33 school districts applying for grants was based on each school's proportion of the total number of students enrolled whose families were assisted under the aid to families with dependent children program (counted twice) and on the average daily attendance of all students (counted once) in the area covered by the county's grant. For example, if the 33 school districts had a total enrollment of 50,000 students whose families were assisted under the aid to families with dependent children program, if the average daily attendance was 900,000, and if school district A had 6,000 such students and an average daily attendance of 30,000, the computation would be:

Total school district A:		
(6,000x2)+(30,000)	=	42,000
Total all school districts:		
(50,000x2)+(900,000)	=	1,000,000
<hr/>		
$\frac{42,000}{1,000,000}$	= 4.2% x \$4.5 million = \$189,000	

Some schools submitted proposals for less than the allocated figure, and other schools submitted proposals for above the allocated figure. After giving the requested amount to each of the schools which had requested an amount less than the allocated figure, a balance of \$600,000 was distributed among the remaining school districts, which had requested more than the allocated amount, on the basis of each district's percentage of the total average daily attendance for these districts.

Funds were allocated to four community colleges on the basis of relative average daily attendance. Special-purpose district proposals were analyzed and grants were awarded on the basis of the relative merits of the district's program in relation to similar programs funded under formula allocations. Not all special-purpose districts were covered, but

a county official said that a more concentrated effort would be made to cover more districts with section 6 funds.

Most of the information necessary to make allocations was obtained from data compiled by the local State Department of Human Resources Development.

APPENDIX IV

KING COUNTY

ALLOCATION BY THE DEPARTMENT

King County, Washington, was apportioned \$7 million in funds under section 5 of the Emergency Employment Act of 1971. A total of about \$6 million was to be used for local jobs and about \$1 million for State government employment in King County.

ALLOCATION BY THE COUNTY

The formula used by King County to allocate funds to the four types of governmental units in the county--the county government, city governments, school districts, and fire districts--used three variables: (1) the number of existing public service jobs, (2) population, and (3) the rates or numbers of unemployed by geographic area. The county allocated \$5.5 million after subtracting \$467,694 for estimated employment service, training, and administrative costs.

On the basis of the number of public service jobs within all local government entities in King County, the county government was allocated \$2,481,152. Of this amount, \$2,330,847 went to the King County government and \$150,305 was divided among five noncounty government agencies--the King County Housing Authority, the Metro, the Puget Sound Governmental Conference, the Puget Sound Air Pollution Control Agency, and the Muckleshoot Indian Tribe. This allocation was based on each agency's proportion of existing public service jobs within the five agencies.

Of the remaining \$3 million, the cities were allocated \$858,083 primarily on the basis of population rather than on the basis of the number of public employees. Had the allocation been based on the number of public service jobs, the cities would have received much less. King County officials believed that it would be more equitable to base the allocation primarily on population because of the cities' limited revenues, high needs, and variety of potential permanent jobs. Each city's portion of the \$858,083 was computed on the basis of the incorporated population, and some small adjustments were made.

The school districts were allocated \$2,021,246. These funds were distributed to each school district as follows: one half of the total allocation was based on estimates of a district's portion of the total staff to the staff in all school districts in the county, and one half was based on a district's portion of the total number of insured unemployed and welfare recipients to the total number of such persons in all the school districts in the county.

The fire districts were allocated \$124,825. Participation in this program was requested by 14 districts, and each district was allocated one position. The decision to allocate one position to each of the 14 districts was an administrative decision made by county officials.